ALASKA'S ECONOMY

It's everyone's business.

BRETT WATSON, RESEARCH PROFESSIONAL AT THE INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH AT THE UNIVERSITY OF ALASKA ANCHORAGE, SHARES HIS VIEWS ON THE ALASKA ECONOMY.

Dear reader,

After a consistent rise in oil prices since November 2020. Alaska's benchmark oil price plateaued in July while production declined. This resulted in slightly less oil value being produced during the previous two months. While unemployment claims remain elevated for many types of employees, the ongoing pandemicinduced recession has caused a gap in unemployment insurance claims between lower-income and higherincome workers. On the other hand, robust federal support has increased personal incomes of Alaskans above their pre-pandemic trend. Changes in the composition of consumer spending has caused price inflation in certain sectors of the economy, including used vehicles in every state and healthcare in Alaska specifically.



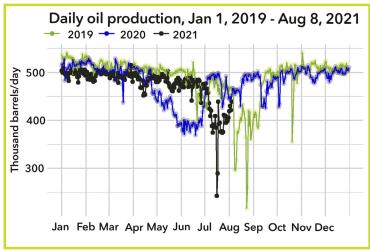
Oil prices rise above \$70 per barrel

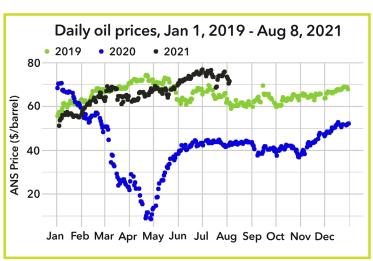
Alaska's benchmark oil price, Alaska North Slope (ANS) West Coast, was \$71.61 per barrel on August 5. In July, daily prices averaged \$74.24 per barrel. This compares to \$43.47 per barrel in August 2020, and \$66 per barrel in August 2019.



Oil production in last three years

Daily oil production in Alaska was 439,000 barrels on August 5. Last month, daily production averaged 403,000 barrels. This compares to 478,000 barrels in August 2020, and 466,000 barrels in August 2019. Some decline is a result of seasonal warming leading to less efficiency in processing plant operations. However, the sharp decline observed in mid-July has reduced production to low levels last seen in the initial wave of the pandemic late last spring.

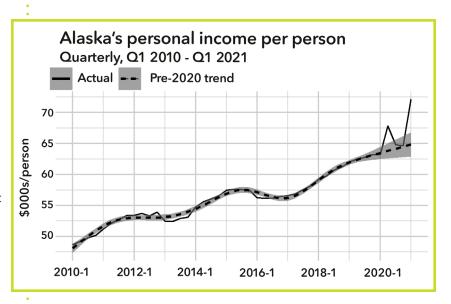




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Personal incomes exceed pre-pandemic trend

Personal income includes wages and salaries, Social Security and other government benefits, dividends and interest, business ownership, and other sources. Despite the pandemicinduced recession, personal incomes in Alaska are substantially above their prepandemic trend. This is due in part to robust income support from federal programs like enhanced unemployment insurance and stimulus payments. High incomes and lower expenditures have led to significant reductions in consumer debt and bolstered savings. These savings could provide a springboard to economic recovery over the next year.

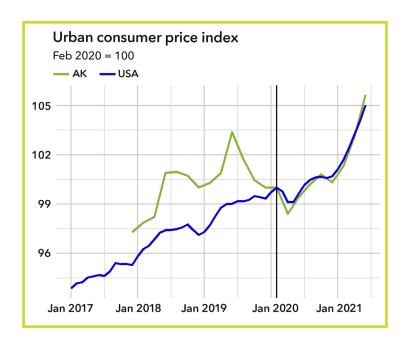


Consumer prices rise on robust goods demand

The Bureau of Labor Statistics' monthly inflation report for June indicated consumer prices in urban Alaska and the U.S. as a whole continued to increase. Consumers have shifted purchasing behavior away from services like restaurants, bars, and theaters and into goods like appliances, home improvements, and vehicles. Manufacturers have struggled to keep pace with this demand, and prices have risen as a result. Supply shortages in semiconductors have been a major constraint on supply chains for

electronics, particularly for automobile manufacturers. V



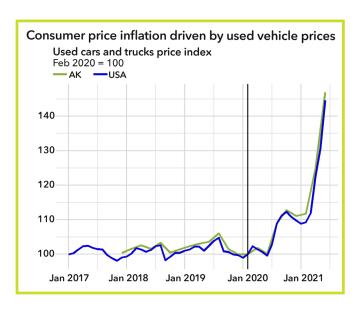




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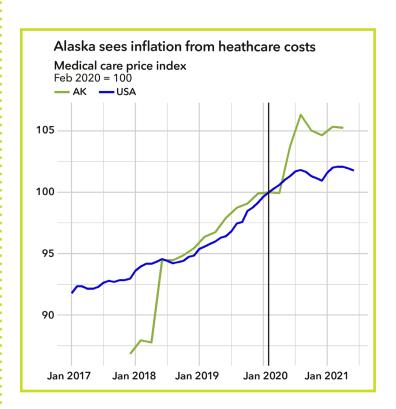
Consumer price inflation driven by used vehicle prices

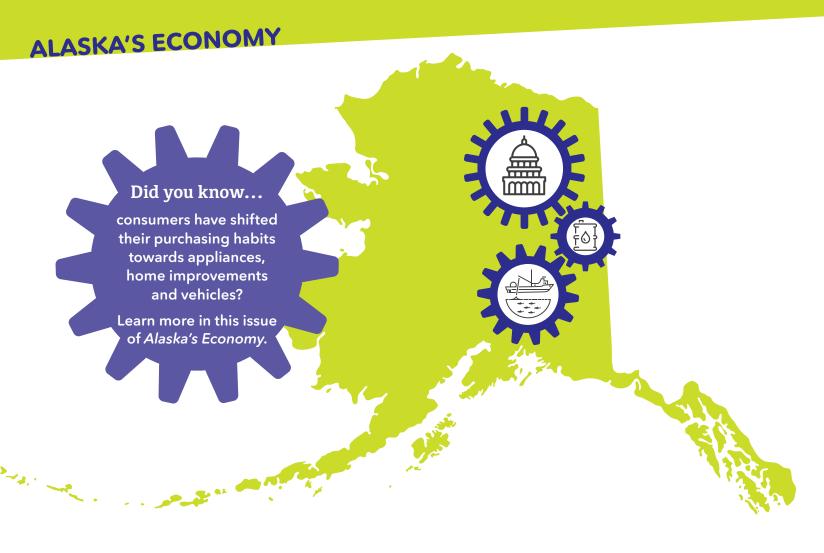
The Bureau of Labor Statistics' monthly inflation report for June continued to identify the market for used cars and trucks as being a notable reason for nearly 1/3 of the overall increase in the urban consumer price index. Alaska has seen a similar trend in prices for used vehicles since the start of the pandemic. Reports have attributed the rise in used car prices to weariness or lack of public transportation, federal stimulus, a computer chip shortage affecting the production of new vehicles, and rental car agencies holding their vehicle inventory.



Alaska sees inflation from healthcare costs

Compared to other cost categories, the Bureau of Labor Statistics' monthly inflation report for June has shown modest inflation nationally for medical care since the onset of the pandemic. In Alaska, prices rose at the pandemic's onset, but have since remained flat (June data for Alaska is forthcoming). Like many sectors, healthcare has experienced major operational disruptions as elective procedures and dental care have been canceled or postponed.





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